



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	SB0292	<b>Title:</b>	Revise coal severance tax
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<b>Primary Sponsor:</b>	Gebhardt, Kelly	<b>Status:</b>	As Introduced
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|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### Description of fiscal impact:

This bill defines auger mining and taxes coal produced from auger mining at the same rates as underground mining. There is currently no tax revenue from coal produced from auger mining, so this bill has no fiscal impact.

### FISCAL ANALYSIS

#### Assumptions:

1. This bill defines auger mining as a method for recovering coal by boring with a drill into a coal bed exposed by strip-mining excavations or in naturally sloping terrain. Auger mining is used when the surface overburden becomes too thick for further economical excavation by strip mining.
2. Auger mining would be taxed at the same rates as underground mining. This is 3% for coal with less than 7,000 Btu per pound and 4% for coal with 7,000 or more Btu per pound.
3. Auger mining is currently included in the definition of Strip Mining (82-4-203, MCA), so coal produced by auger mining would be taxed at the surface mining rates of 10% for coal with less than 7,000 Btu and

15% for coal with 7,000 or greater Btu per pound. This would decrease the tax rate on any coal produced by auger mining.

4. Currently, there is no auger mining occurring within the state so there is no fiscal impact.
5. If auger mining occurs in the future, that would have occurred without the reduced tax rates, than this bill will decrease state special revenue. If coal is produced in the future with auger mining because of the lower tax rates, than this bill will increase state special revenue.

**Technical Notes:**

1. The definition of auger mining in section 1(2) includes “Auger mining is used when the surface overburden becomes too thick for further economical excavation by strip mining.” The definition in section 2(4) says that auger mining is mining that would “Otherwise be unrecoverable by conventional strip mining methods as specified in the coal conservation plan submitted to and approved by the department of environmental quality” implying that auger mining is a classification based on the conservation plan. This bill would define auger mining based on multiple criteria.

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*Sponsor's Initials*

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*Date*

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*Budget Director's Initials*

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*Date*